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DD/ST# 2726-68

10 July 1968

**MEMORANDUM FOR:** Comptroller, Directorate of Science and Technology

**SUBJECT :** OPPB Mark for FY-70

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1. I have noted the reduction in the OCS program for FY-70 amounting to [REDACTED]. I believe that an error has been made in arriving at the cut in funds, possibly arising out of recent actions concerned with purchase/rental decisions.

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2. In the computation of computer hardware costs (rental, purchase, maintenance), action which is taken with respect to the alternative of renting or purchasing equipment in one fiscal year has a continuing effect on hardware costs in the following fiscal year. For example, the recent decision to rent equipment in FY-69 brought OCS hardware costs down from [REDACTED] a savings of [REDACTED] (see columns 1 and 3 in Attachment). However, this same action added [REDACTED] to FY-70 hardware costs (rental which will be required because equipment was not purchased in FY-69).

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3. If we had purchased equipment in FY-69, the decision to rent equipment in FY-70 would have brought OCS hardware costs down from [REDACTED] a savings of [REDACTED] (see columns 4 and 7 in Attachment). Note that the FY-70-74 program was developed on the assumption that equipment would be purchased in FY-69. It appears that OPPB has taken this savings for the cut of [REDACTED] to arrive at the [REDACTED] funds.

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4. The correct cut for hardware costs should be based on the difference between the alternative of purchasing equipment in both FY-69 and FY-70 and the alternative of renting in both of these years. This would bring hardware costs down from [REDACTED] savings of [REDACTED] (see columns 4 and 6 in Attachment). Added to this savings should be an adjustment of [REDACTED] for a 360/20 which was

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purchased with FY-68 funds and [REDACTED] The  
total OCS cut, therefore, is more like [REDACTED].

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O/D/OCS [REDACTED] ps:4011 (10Jul68)

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